

COUNTY OF ULSTER

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**RESTRICTED DONATION FUNDS -
DSS COMMISSIONER'S BANK ACCOUNT REPORT**

December 2011

BACKGROUND**Restricted Donations**

Ulster County has been the recipient of donations from time to time, some of which are restricted in their use for a specific purpose outlined by the donor. Several departments and offices including the Department of Social Services (DSS), Office for the Aging and Golden Hill Health Care Center are the recipients of such generous donations from individuals, corporations, foundations and others which come with restrictions. One of the benefits of such donations is that they can be restricted for use for particular benefits beyond the resources of the adopted operating budgets of County government.

Upon acceptance of such generous donations, the County agrees to abide by the donor's wishes in the use of such funds and is obligated to provide adequate documentation of such compliance as part of fulfilling its fiduciary responsibility. In addition, there are specific methods prescribed for recording and reporting the restricted donation revenue and expenditures utilizing NYS's system of accounts and the budgetary process to further accountability for such funds.

DSS Commissioner's Bank Account

The adoption of the County Charter provided for oversight for all County funds by the Comptroller. As part of fulfillment of Charter duties with regard to bank account depositories and bank reconciliations, detailed review of the activity began. The Commissioner's bank account activity was reviewed as part of this. This bank account has been handled "off-book" since its

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establishment in 1991. The “off-book” status over the years meant that the account activity was not audited or reviewed as other transactions of the County would have been. The fact that the activity had not been properly reported on the books and records of the County became apparent. This situation was included in the Ulster County Comptroller’s Bank Reconciliation Status Report issued July 2011. A series of meetings with departments and offices having custody of bank accounts to address the issues raised in the report were conducted. Issues related to the Department of Social Services bank accounts were discussed in detail at a September 8, 2011 meeting. The need to establish protocols for audit and certification of any disbursements from the Commissioner’s bank account were discussed as well as the requirement to properly record the activity “on-book”.

Details on the components of the Commissioner’s bank account’s activity and balance were requested at the meeting. A particular set of restricted donations, net total of \$27,500, for use in assisting persons who were not eligible for any other aid in addressing a particular need was handled by the Commissioner in his bank account. All funds except the restricted donation funds were transferred out of the Commissioner’s bank account by September 15, 2011. Review of the disbursement information received for the restricted donations in consideration of the donor’s correspondence on intended use of the funds prompted a request for all supporting documentation for disbursements of these funds. The Commissioner returned all of the funds remaining from the restricted donations on November 29, 2011 to the donor.

SCOPE, OBJECTIVES AND RESULTS

There are three central questions in meeting the County’s responsibilities with regard to handling of restricted donations:

1. Did the County abide by the donor’s stated wishes?
2. Does the County have adequate documentation to demonstrate that it complied with the donor’s wishes?
3. Was the financial activity reported accurately on the County’s books and records?

All disbursement transactions were evaluated due to the small number (15) for the restricted donations under review.

County DSS Commissioner’s Abidance with Donor’s Wishes and Related Documentation of Same

The review of information calls into question whether or not the County met its obligations to this donor for the funds handled by the Commissioner for the following reasons:

- Representations by a program director in DSS are the only documentation on file that people asked for assistance and what their situation was for all except two disbursements;
- Notes by the same DSS program director are the only documentation on file that they were not eligible for any other assistance as required by the donor’s stated wishes;
- Only seventy-five percent of the number of disbursements appeared to have been made for expenses as outlined by the donor;

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- Less than twenty-five percent of the disbursements are supported by original invoices (copies are subject to undetectable alterations);
- Less than twenty-five percent of the disbursements have any representation by the person receiving assistance that they actually received the goods and/or services;
- The Commissioner’s approval for the use of these restricted funds on or prior to the date of the invoices was documented for only thirty three percent of the disbursements;
- One disbursement for the second to largest single disbursement amount was not supported by an invoice;
- Only slightly more than fifty percent of the vendors were paid on a timely basis, that is, within 30 days of the invoice date.

Accuracy of Financial Reporting on County’s Books and Records

As previously stated, the “off-book” status of this bank account has lead to improper reporting of the bank account balance and non-reporting of the activity in it including the receipts and disbursements related to these restriction donations. The full extent of any inclusion in the County’s books and records is to have recorded the cash balance at December 31st of each year as an asset and an off-setting liability called “Due to Other Governments”. While this balance was not material to the general purpose financial statements of Ulster County, it improperly characterizes the account and reports none of the activity during the year. This process is not in conformance with generally accepted accounting principles nor is it consistent with accounting guidance from the NYS Comptroller on proper handling and reporting of restricted donations.

RECOMMENDATIONS AND CONCLUSION

The fact that the DSS Commissioner has chosen to return the balance of these restricted donations to the donor render any recommendations for these particular funds useless. Correspondence from the donor upon receipt of the balance of those funds indicates they have been satisfied.

The opportunity for restricted donations that remain in Ulster County’s care and control as well as those that may be received from generous donors in the future is to establish systems that demonstrate compliance with the donor’s documented wishes unquestionably and to report the financial activity in accordance with prescribed accounting methods.

Systems to document compliance with donor’s wishes should include the following:

- Maintenance of any and all correspondence provided by the donor on the intended use of the funds for as long as the County has any of that person’s restricted donation;
- A documented process for authorizing spending of such funds prior to incurring an obligation to a vendor or others including an evaluation of each of the criteria the donor has outlined;
- If assistance is to be provided to people in need, documentation that the person has requested assistance including their signature and date, and what representations they are making about their situation which would qualify them for the use of such funds;

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- If County procurement is not used, documentation of vendor selection process;
- Original invoices to document the disbursement;
- Packing slips or other receipts signed by the recipient of goods and/or services documenting that the intended beneficiary received them;
- Timely payment processing; and
- Audit and certification of any disbursements by the County Comptroller in accordance with the County Charter.

Any County officials or departments that are in receipt of restricted donations should ensure compliance with donor’s wishes and document that they did so. Public confidence is enhanced when objective auditable documentation supports all receipts and disbursements, particularly when they relate to restricted donations.

Reporting of financial activity in accordance with prescribed accounting methods should include the following:

- Record any receipt of donations in the proper revenue account in an operating fund of the County (a 2705 account generally);
- If the County budget does not have adequate funding to enable disbursing funds in accordance with donor’s wishes, request a budget modification increasing estimated revenue and an off-setting appropriation;
- All receipts and disbursements of restricted donations should be reflected in the County’s books and records intact, that is, receipts should not be posted to an expenditure budget line, expenditures should not be posted to a revenue budget line, and activity should not be netted in a trust balance sheet account; and
- Calculations of the unspent balance and/or calendar year activity may be necessary to enable proper reflection on the County’s calendar year financial statements.

Financial activity related to receipts and disbursements of restricted donations should be recorded on the County’s books and records and reflected in financial reports in accordance with prescribed methods.

It should be noted that the financial reporting issues for “off-book” cash accounts and restricted donations were reviewed with Department of Finance personnel following the July 2011 Bank Reconciliation Status Report. It is understood that the Department of Finance will be addressing these issues in the County financial reports they prepare for December 31, 2011 and the year then ended.

When Ulster County and its officials accept donations with restrictions on their use, additional fiduciary responsibilities are prompted. There is no materiality level for proper handling of funds that have been donated to the County. If amounts are considered too small to warrant implementation of adequate procedures to handle and report financial activity, restricted donations can and should be graciously declined. Acceptance of generous donations must be accompanied by a commitment to fulfill fiduciary responsibilities at the highest level of public accountability.

DEPARTMENT OF SOCIAL SERVICES RESPONSE

No response was provided by the department.